

## Home Lending Signals Lift in Construction

A healthy June quarter for new home lending points to a recovery in dwelling starts over the second half of the year said the Housing Industry Association, Australia's largest building industry organisation.

HIA Chief Economist, Dr Harley Dale, said that the number of loans for construction increased for an eighth consecutive month in June 2009.

"We expect to see a 15 per cent increase in housing starts by the end of 2009 as the positive impact of low mortgage rates and first home buyer stimulus shows up in actual construction," said Harley Dale.

The total number of seasonally adjusted loans for owner occupiers increased by 1.1 per cent in the month of June 2009 and was up by 7.4 per cent over the quarter. The number of loans for construction increased by 2.8 per cent over the month and was up by a strong 21.7 per cent over the June quarter. Lending for established dwellings (net of refinancing) was up by 1.2 per cent in the month and 7.7 per cent over the quarter. The number of loans for the purchase of new dwellings eased by 0.2 per cent in June but increased by 6.4 per cent over the quarter.

"We saw a near doubling in the number of first home buyer loans in the June 2009 quarter when compared to a year earlier. Clearly the Federal stimulus to this segment of the market has been a key driver of the improvement in housing indicators and there has been a consistent increase in the proportion of first time buyers entering the new home market since the boost to the grant was introduced last October," Harley Dale said.

"Outside of the first home market the recovery has been slower, but interest in new home building from trade-up buyers and investors is growing and this trend needs to continue," said Harley Dale.

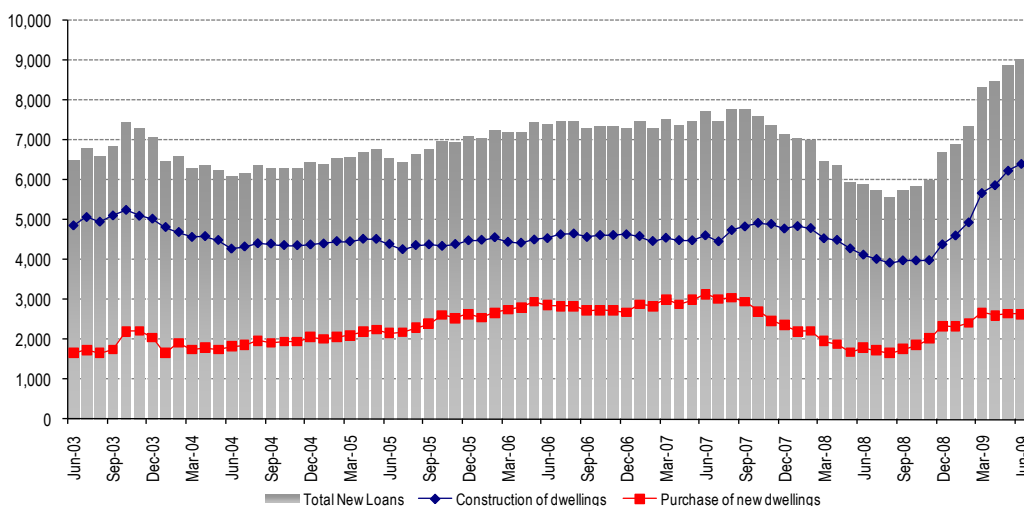
Lending for investment in new residential properties increased by 38 per cent in the June 2009 quarter, but was still 25 per cent down on the same quarter last year.

"It is encouraging to see some recovery in lending for new investment over last quarter, but credit constraints and the lack of pass-through of lower interest rates to the building sector are still exerting a dampening influence. It will be important to see evidence of further improvement on the investment front through the second half of 2009," Harley Dale added.

In seasonally adjusted terms the total number of owner occupier loans in June 2009 increased in Victoria (+1.5 per cent), Queensland (+1.6 per cent), South Australia (+0.6 per cent), Western Australia (+3.5 per cent), Tasmania (+17.9 per cent), the Northern Territory (+0.6 per cent), and the Australian Capital Territory (+4.9 per cent). The total number of loans was effectively flat in New South Wales, down by 0.1 per cent.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance



### For further information:

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